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SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

MARCH 25, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

Rules change should ease brewers' paperwork load

WASHINGTON, DC—To ease brewers paperwork burdens, the Bureau of Alcohol, Tobacco and Firearms (ATF) plans to consolidate, eliminate and modernize many regulations dealing with taxes, bond coverage, beer transfer and report filing.

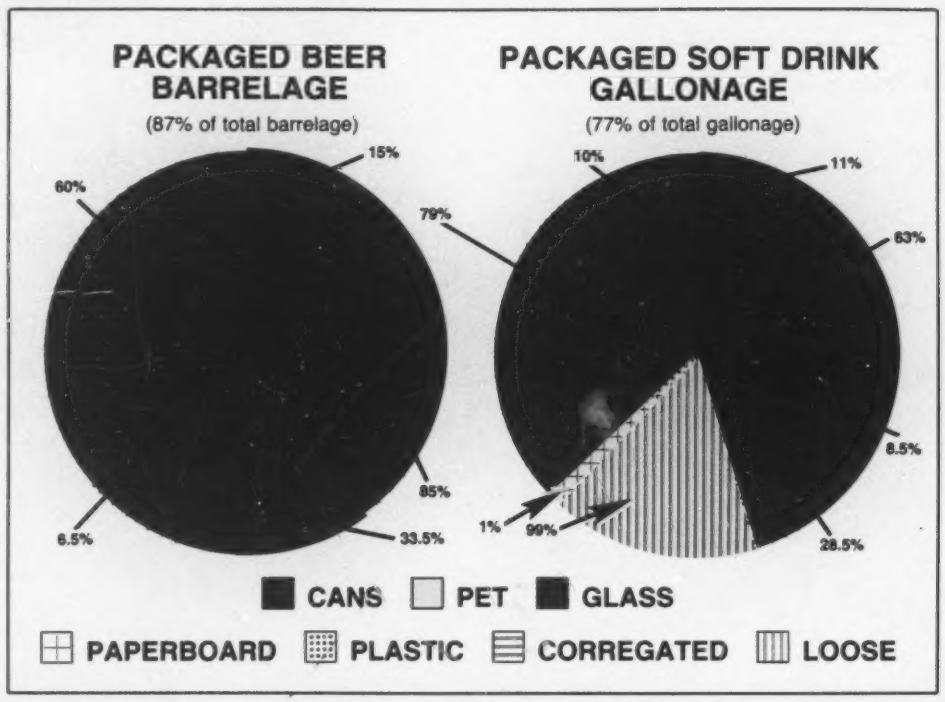
Among the proposed changes, ATF would allow brewers to make adjustments on their tax returns for beer that is lost or destroyed instead of requiring that the brewer first file a claim with ATF before being credited.

The plan would also eliminate the requirement that brewers use beer meters, and instead allow them to use any measuring system best suited to their needs to measure quantities of beer transferred from brewery cellars to packaging operations.

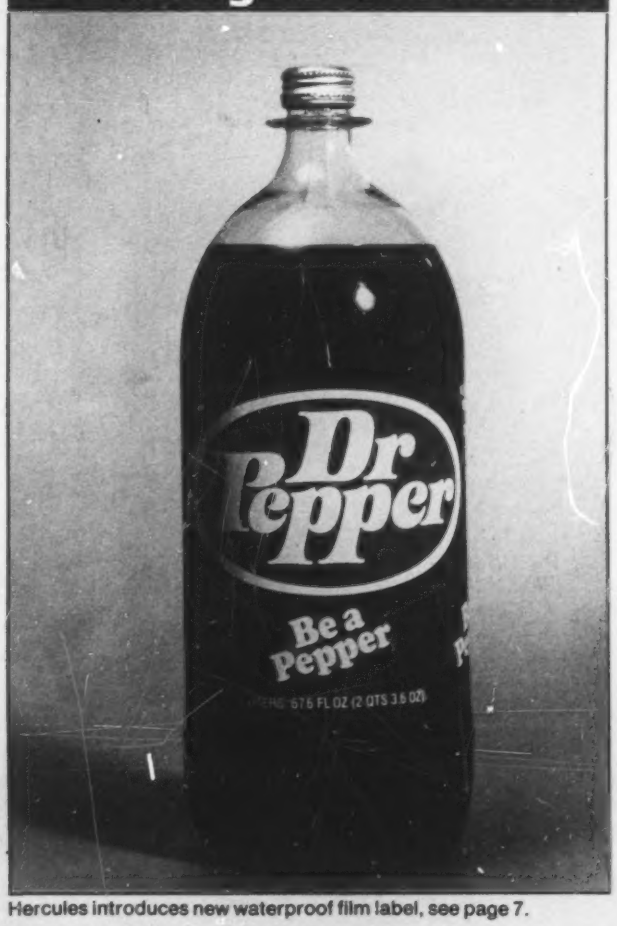
Thanks to proposed revisions in bond computation, bond coverage and penal sums for small brewers would be reduced. In addition, brewers transferring beer between two of their own breweries could use commercial, rather than government forms to record the transaction under the plan.

"This has occurred on a limited basis anyway and this just formally puts it into regulation," said Charles Bacon with ATF's research and regulations branch. He admitted that the proposals are not controversial. "If anything, brewers might ask for more changes."

Comments on the plan are due May 4 to Chief, Regulations and Procedures Division, P.O. Box 385, Washington, DC, 20044. Attn.: Notice No. 449.



BI Package of the Week



Hercules introduces new waterproof film label, see page 7.

Multipack options pose marketing risks

By Holly Klokis
Managing Editor

SPECIAL REPORT—Multipacks, once a term essentially relegated to six packs of bottles and cans, now conjures up a myriad of packages and combinations enclosed in paperboard, plastic, corrugated or film. From the consumers' standpoint, a choice of packages—from the bottler's or brewer's perspective, a shrewd marketing ploy to get more product into the home.

Yet, choosing what package to put into multipacks, how many units those multipacks should hold and in what medium, is a risky, expensive marketing decision.

Twelve pack cans of beer are booming. While last year, overall beer sales were up only .4%, Anheuser-Busch increased its capacity from 54.5 million barrels in '81 to 59 million barrels in '82. Industry sources attribute this increase directly to A-B's heavy push behind 12 pack can sales.

Secondary packaging sources report that as many as 35-40% of all cans on the market are packaged in 12s. Despite its success, though, would it work for soft drinks?

Four packs of 16 oz. PlastiShield are relatively new to the market. But is this package a trade up or a trade down in gallonage? Is the consumer buying it in place of a 6 pack or in place of two or three single servings?

Two liter two packs—the key here is to sell them for the price of two single units. Can it be done?

Obviously, secondary packaging suppliers are bullish on multipacks. Regardless of the package there is a rationalization to use it—be it the graphics, low cost, ease of application, ease of carrying or convenience to the consumer. Some companies are even willing to put their money where their mouth is. A program begun last summer jointly developed by several can manufacturers, parent companies and secondary packaging suppliers provides for promotional allowances to bottlers and brewers who install 12 pack can lines. Many of those companies, including Mead Packaging, are continuing their participation in that program based on its success.

But finding out what the consumer really wants is a

(Continued on page 30)

BI Week

• Seven-Up, with an 8% sales increase, moved back into third place in *Beverage Industry's* 1982 ranking of the top ten soft drink brands. Compiled by John Maxwell, Lehman Brothers Kuhn Loeb Research, the 1982 top brands are: Coca-Cola, 1.4 billion cases, 23.9% market share, up 1%; Pepsi-Cola, 1.1 billion cases, 18.1% market share, up 1.4%; Seven-Up, 325 million cases, 5.2%, up 8%; Dr Pepper, 315 million cases, 5.1%, down 3.3%; Tab, 237 million cases, 3.8%, up .7%; Sprite, 197.5 million cases, 3.2%, up 11%; Diet Pepsi, 180 million cases, 2.9%, up 4%; Mountain Dew, 175 million cases, 2.8%, down 2.2%;

(Continued on page 14)

Legislators to investigate food safety

WASHINGTON, DC — The tone and look legislators and lobbyists shortly take toward food safety will hinge on the spring agenda of the Senate labor and Human Resources Committees.

The committee was scheduled to release the agenda at presstime and food safety was expected to be on it. Once all concerned parties know when the hearings will finally be held on this important topic, they can better formulate the policy they will espouse during testimony.

"The important thing is that the hearings get underway," said Drew Davis, National Soft Drink Association congressional affairs manager. "The hearings won't depend on staff working drafts from Sens. Orrin Hatch or Edward Kennedy," the chairman and minority leader of the committee, he noted.

In fact, the sub-Cabinet Working Group which has

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Contents

Secondary packaging subject of this issue

This issue's special report is on the subject of new developments and trends in secondary packaging, especially the success of multipacks.

Twelve pack cans of beer are booming, according to industry sources. The sources report that as many as 35-40% of all cans on the market are packaged in twelve packs. However, the question is raised if whether twelve pack success is destined for the soft drink industry as it has been in the beer packaging area.

Another question being raised is whether advertising alone can carry an entire merchandising program, so the existence of multipacks with attractive graphics can help in that area. See **page 1.**

Food safety bill on Congress' agenda

Two Congressional committees are said to be still considering the food safety bill, which will probably be on upcoming agendas, according to sources in Washington, DC.

The committees were scheduled to release their agendas at presstime and food safety was expected to be on them. Once all concerned parties know when hearings will be held, they can better formulate respective policies.

Certainly, the Delaney clause will be part of the impending debate. But the saccharin ban moratorium, which hinges on Delaney, will be addressed separately, sources say. See **page 1.**

US beer imports: Heineken in the lead

Van Munching, Inc. of New York, which markets Heineken, reportedly had a 17.6% increase in sales and led the import segment, industry sources say.

Imported beer provided one of the few bright spots in 1982 for distributors, and Heineken, which leads Molson by a substantial percentage margin, was primarily responsible.

Imported beer sales account for an estimated 5.2% share of the total US beer market in 1982, reports say, and Heineken's 38.9% share generates over $300 million in sales. For the past two years Heineken has comprised the largest export item from Holland being transported on the North Atlantic shipping route. See **page 4.**

Anti-tampering bill introduced again

President Reagan never signed a bill making it a felony to tamper with food, drugs, etc., but the bill's sponsor in the new Congress, Sen. Strom Thurmond of South Carolina, has introduced it again.

This bill, sources say, is more palatable to the NSDA. Thurmond's bill would punish those who tried or actually did tamper with a substance with the intent to kill or harm a person or damage a company's reputation. For more information on penalties and views, see **page 14.**

BI truck column: stick with basics

The big money in truck operations—80% of it—is spent on keeping existing trucks working profitably on the job.

In this month's truck column, it tells of ways how a bottler or wholesaler can save money on his truck fleet, especially in the area of service. There are a few new ideas but no dramatic new products or concepts. And there are the usual reminders to "stick with the basics" in truck service because operating the vehicles will cost the bottler if he doesn't.

The columnist does point out there is nothing more basic in service than the need for scheduling routine maintenance, such as oil changes, etc. See **page 20.**

Brewex and Pakex pre-convention news

Extensive coverage of the upcoming Brewex and Pakex expositions has been provided in this issue.

The convention floor floorplan and booth writeups are included. See **page 15.**

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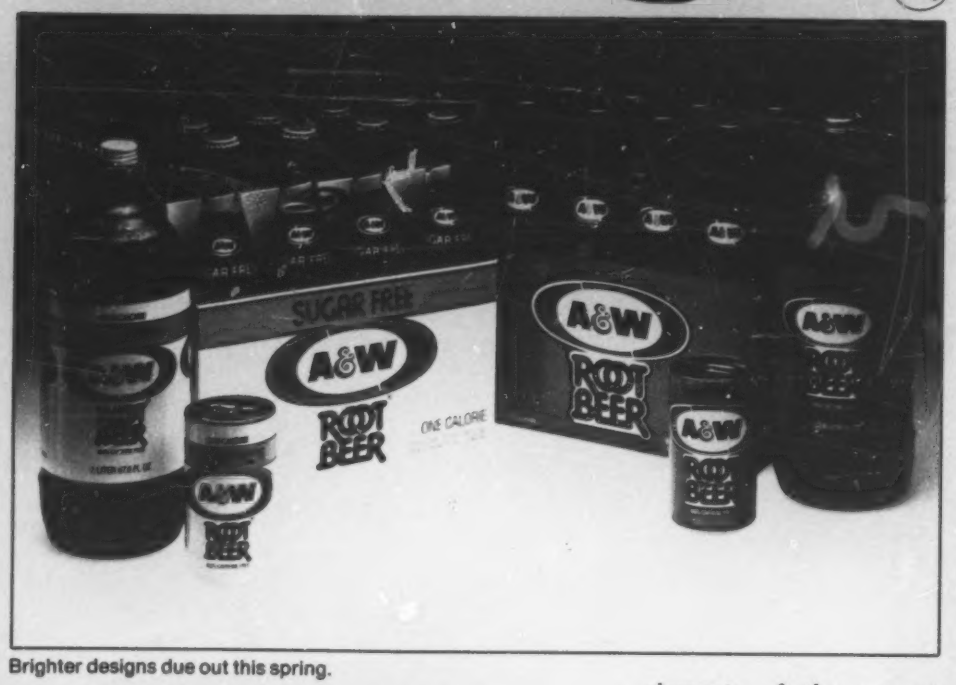


Brighter designs due out this spring.

New design highlights A & W Root Beer

NEW YORK—A new package design with modified graphics and a new advertising campaign which includes a separate sugar free and caffeine free program was rolled out in mid-March by A & W Beverages, Inc., located here.

While retaining the basic elements of the current graphics, the new design will feature a significantly enlarged logo to enhance brand registration, especially sugar free, and shelf impact. In addition, "100% Caffeine Free" has been incorporated on the face of all packages to clarify the caffeine free status of both products, which A&W spokesperson Vicky Szerko says has been the case since the root beer's inception.

Szerko also says the company never thought of advertising the beverage as caffeine free although the

(Continued on page 14)

Industry pension plans strong, stable: report

NEW YORK—In sharp contrast to the troubled Social Security system, pension plans of the beverage industry show relative strength and stability, reports a survey by Johnson & Higgins, one of the largest consulting firms in the U.S. specializing in employee benefit and insurance program planning.

"It is particularly encouraging to find that pension costs as a percentage of pretax earnings have decreased slightly over the past three years of economic turmoil," says Kenneth K. Keene, senior vice president, Johnson & Higgins. "This means that these companies are meeting their pension obligations without putting any exceptional strain on earnings during difficult times."

The study of Fortune 500 industrials and 200 non-industrials, found that, overall, the 11 beverage companies studied contributed approximately 7.6% of pretax profits to their pension programs in 1981. In comparison, Fortune 500 industrial companies in total spent 12.6% of pretax profits on pensions in 1981.

These trends contrast sharply with the current condition of the Social Security System, the company says. Keene adds, "If present trends remain in force, contributions to the Social Security System could eventually rise to over 22% of covered payroll."

(Continued on page 21)

Perrier wins suit over bottle design

NEW YORK—In a U.S. District Court ruling handed down on December 9, 1982, the Indian club-shaped bottle in which Perrier mineral water is sold was protected from copying and use by another mineral water bottler.

Perrier filed suit in January of 1982, soon after Water of Saratoga Springs, Inc. began marketing their product in a bottle of the same shape and color. Perrier claimed the unique design of the bottle serves as a trademark. The company was awarded a percentage of the money Water of Saratoga Springs, Inc. earned from the sale of the bottles with the Perrier design.

Heineken sales lead import market growth

By Nancy Novick, Northeast correspondent

NEW YORK – At a time when beer consumption is flat, imports provided one of the few bright spots in 1982 for distributors. Heineken, imported by Van Munching, Inc., located here, had a 17.6% increase in sales and led that segment.

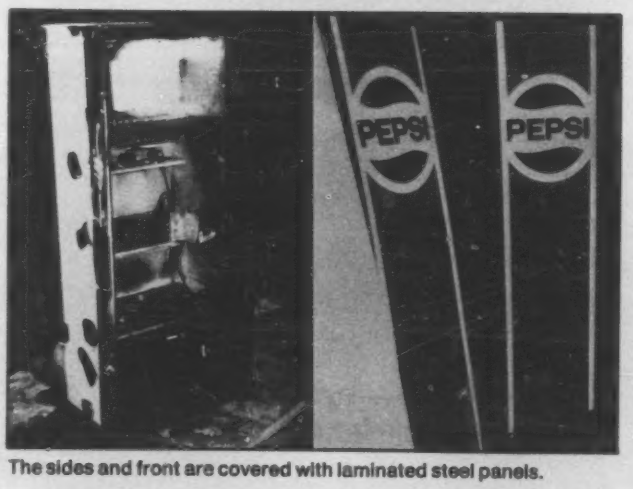
It has become axiomatic that when Heineken, the number one import, has a poor sales year, the total import market suffers. When it has a banner year, the entire segment reflects that growth.

Imported beer sales accounts for an estimated 5.2% of the total U.S. beer market in 1982 and Heineken's 38.9% share generates over $300 million in sales. For the past two years Heineken beer has

(Continued on page 8)

	1981	Pct. of Market	1980-81 Change
Heineken	62.9	38.9%	17.6%
Molson	32.0	19.8	0.9
Becks	10.0	6.2	37.0
Labatt	9.3	5.8	30.4
Moosehead	7.9	4.9	41.1
Dos Equis	7.0	4.3	-
Carling O'Keefe	4.5	2.8	-
Guinness Harp	3.9	2.4	129.4
Tecate	3.8	2.3	-
St. Pauli Girl	3.0	1.9	25.0
Carta Blanca	2.3	1.4	9.5
Grolsch	1.8	1.1	12.5
Foster	1.7	1.1	6.3
Kirin	1.4	0.9	-
Kronenbourg	1.2	0.7	71.4
San Miguel	1.1	0.7	-
Bass Ale	1.0	0.6	(37.5)
Others	7.3	4.5	NA
Total	161.2	100	14.3

"Genesis" program in the works at Clover Metals



The sides and front are covered with laminated steel panels.

BRIDGEVIEW, IL — Have you seen those "before" and "after" ads? You know, the ones which feature a much older model and then a like-new reconditioned model. Usually the revitalization is the result of several weeks at a Richard Simmons center.

Well, if there is a spa for soft drink vendors, Clover Metals International, Inc., and Allstate Manufacturing have one.

The company's new "Genesis" (new generation) program is creating a whole new concept and philosophy toward distressed soft drink vendors. The program takes worn out, broken down or vandalized vendors and restores (remanufactures) them into like-new vendors. What emerges is a totally remanufactured vendor. In many cases, these machines, are extensively updated to portray the look of the '80's.

Tom Swiech, vp-sales and marketing, calls the remanufacturing process "Genesizing." Now what was once thought to be useless equipment can be remanufactured at a cost of 50 to 65% of the cost of a new machine.

Clover goes to great pains to point out, and make sure it is understood that the conversion is not a simple cosmetic refurbishing job.

"Our machines are totally remanufactured. We may rebuild a machine to its original factory look or upgrade it to take on a complete new modernized look. It depends on the individual bottler's requirements. We are flexible to a certain point and can

(Continued on page 6)

Heineken

(Continued from page 4)
comprised the largest single export item from Europe being transported on the North Atlantic shipping route.

joint effort

Actually, the company's dominance of the import beer market is the result of a joint effort between the Amsterdam-based brewing giant and Van Munching & Co., Inc. From the time the beer is brewed in Holland to the time it reaches the consumer in the U.S., Heineken and Van Munching work respectively to produce a high quality beverage and the marketing, advertising, and distribution strategies that result in the product's success. While Heineken participates in a limited capacity in U.S. marketing and advertising decisions, it is essentially Van Munching's perceptions of the American market that has shaped the current advertising campaign.

Al Nilson, advertising manager at Van Munching, explains, "The attitudes toward a high-quality, higher-priced import item have remained the same since the seventies. The same consumer who found an import product desirable then, finds it desirable now. But like the rest of us, he's feeling the pinch of the economic recession. What we're telling consumers in our advertisements is that quality is still worth it. Sure, it costs a bit more than an American bottle of beer, but the satisfaction derived from a Heineken will justify the cost."

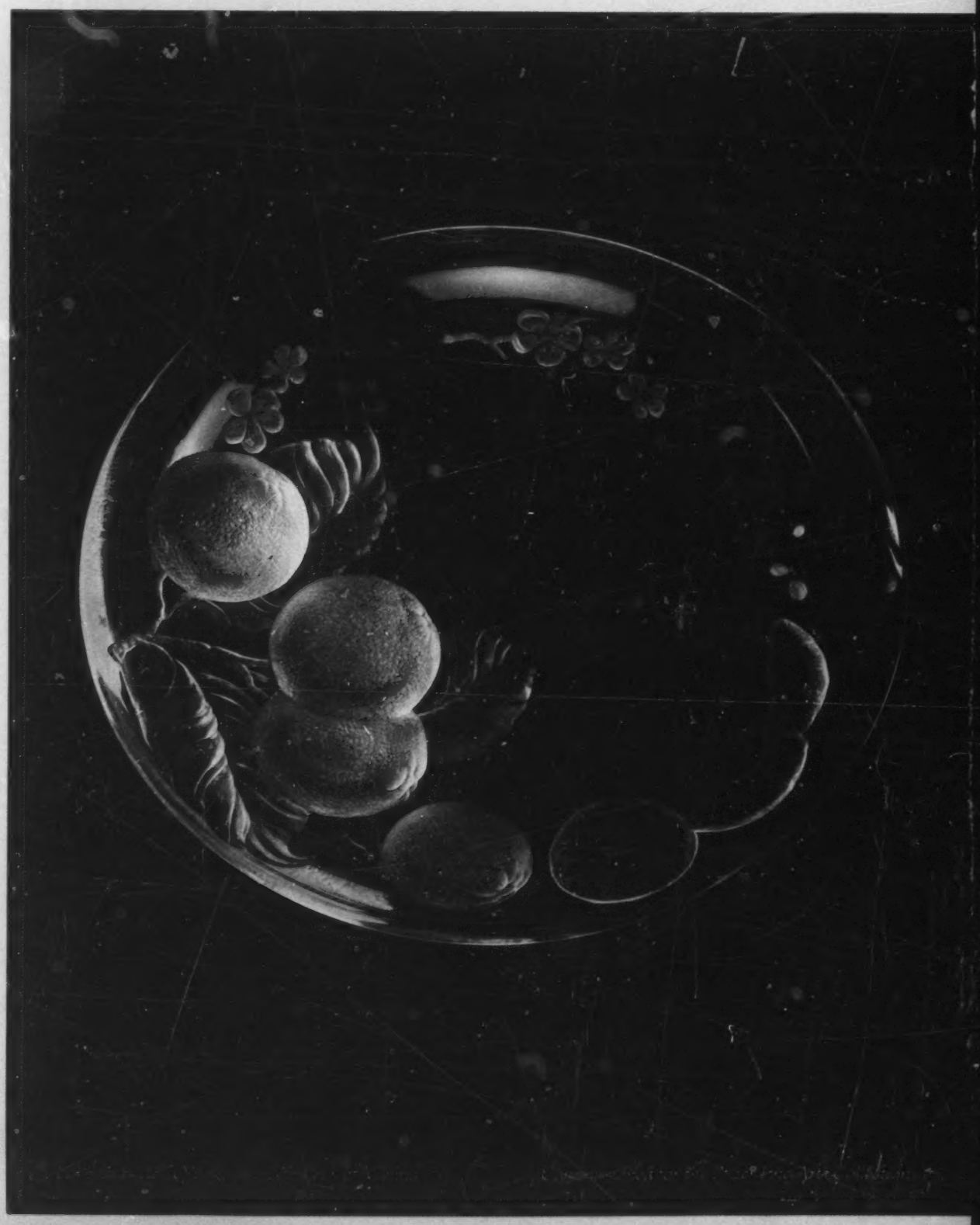
A manifestation of the joint brewer-importer promotional thrust is Heineken's move into television advertising. The product's television exposure is greater than that of any other import beer and this segment of a multi-million dollar advertising budget is paying off, according to Nilson. "It's also helping us increase our off-premise market. We feel that if we get the proper exposure at the retail level, commensurate with the sales ability of Heineken to attract consumers and add the promotional support we at Van Munching give the brand, then we can generate that additional turnover."

distinctive packaging

Heineken and Van Munching have also developed distinctive packaging for the product. While most domestic beers are packaged in brown bottles, Heineken is shipped in green glass; Heineken cans are bright green and sport a drawing of a windmill. (Interestingly, Alfred Heineken, current Chairman of the Board at Heineken and grandson of its founder, has been quoted as saying that the fact that the brand name sounds German has also helped.)

But advertising and packaging aren't the only ways Heineken maintains its status appeal. It has been frequently suggested to Alfred Heineken that the company could increase profits if they opened a brewery in the U.S. and avoid the expenses of shipping and import taxes. But Alfred Heineken remains firmly opposed to such a move. Heineken spokeswoman Francis Tjaarda explained to **BI,** "It's a question of authenticity. Americans who buy Heineken want to know that bottle of beer actually made the journey across

Cases of Heineken being loaded at a Rotterdam port for export to the United States.



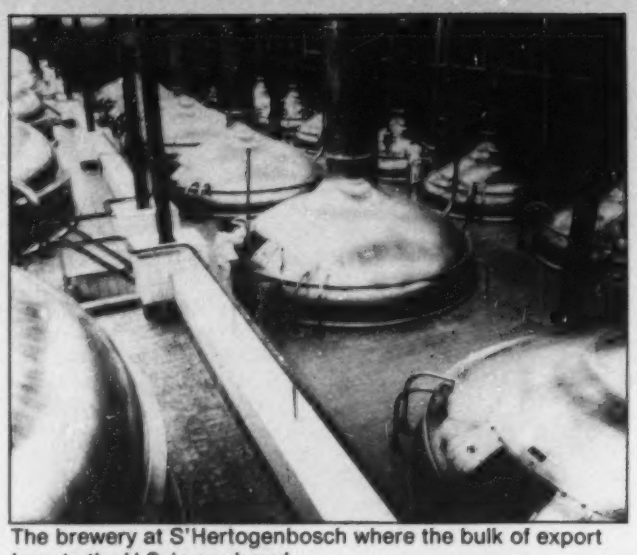
the Atlantic. Heineken beer brewed in New York or the Midwest just wouldn't have the same appeal.

"Actually," Tjaarda added, "Heineken company beverages are produced by more than 50 brewers outside of Holland. However, the beverage itself is more important to consumers in these areas than the location of the producer."

fine taste

"No matter where the beer is brewed, the prime concern of the Heineken company is maintaining a consistent standard of flavor and freshness," Tjaarda said. Alfred Heineken is adamant about quality control and maintains a staff of taste testers to be sure every batch of Heineken, domestic or export, meets the company's strict standards for palatability. "The fine taste of Heineken is attributable in large part to the particular strain of yeast that we use," Tjaarda explained, "Heineken A-1 was developed for the first Mr. Heineken by a student of Louis Pasteur. Quality is also maintained because Heineken's marketing and distribution methods insure quick turnover and a fresh product."

The distribution arrangement between Heineken and Van Munching is somewhat unusual, in that Van Munching takes title to the product as soon as it arrives in Rotterdam from the breweries in Amsterdam and S'Hertogenbosch (in Southern Holland) for shipment overseas. From Rotterdam, Van Munching arranges for the beer to be delivered to more than 25 U.S. ports. The importer maintains only one warehouse, located in New Jersey, to serve unexpected demand, but direct delivery from port to wholesaler on a regular basis is maintained throughout the country.



The brewery at S'Hertogenbosch where the bulk of export beer to the U.S. is produced.

Effective marketing strategies and the efficient distribution systems of Heineken and Van Munching weren't developed overnight. Heineken has been imported into the U.S. for 50 years, but the history of the company goes back much farther, almost 120 years to 1864 when a brewery in Amsterdam, "the Haystack" was purchased by Alfred Heineken's grandfather, Gerard Adriaan Heineken.

first shipment

The first Heineken shipment arrived in New York in 1933 immediately after the repeal of Prohibition and was distributed by Austin Nichols and Co. Heineken was gaining ground steadily in the beer market until World War II began and the German Army's invasion of Holland cut off shipments to the United States.

But in 1946, Heineken was quick to reenter the export market. In that year 23 year-old Alfred Heineken, voyaged to the United States to study the American market in the company of Leo Van Munching, Sr. who had been sent by Alfred's father, then President of Heineken, to be the exclusive U.S. importer of his beer. (Due to a change in regulatory laws, Nichols, a whisky distributor, could no longer carry Heineken.)

Van Munching's post-war efforts, a drive to make Heineken available nationwide have come to fruition. According to John McAna, Vice President and National Sales Manager at Van Munching & Co., "Today, fresh bottles of Heineken are available at 70% of all U.S. retail outlets." In 1960, Heineken sold a landmark one million cases, a figure that expanded to seven million cases in 1975. "This was the time of increased gourmet awareness," says McAna, "Times were relatively prosperous and the upwardly mobile consumer eager to show his good taste was purchasing Heineken in unprecedented quantities. We responded to this enthusiasm by advertising heavily." Their current slogan, "Come to think of it, I'll have a Heineken," continues to reflect that trend.

Heineken did suffer a brief

Only nature has had more experience with citric acid than Pfizer

Making the complex look simple is an art. Here, you see the art of a master engraver who has worked for months with the purest crystal.

His efforts delight the eye. Yet his subject, the orange and the stages in its growth, is greater than he. Oranges are one of nature's own masterpieces, evolved over countless eons. They create and protect, in lovely and fragrant form, that complex compound called Citric Acid.

Exactly how nature produces Citric Acid was long a mystery; the chemistry was too subtle, too sophisticated. But Pfizer was determined to solve that mystery, and set out to find ways to produce bountiful new supplies of Citric Acid through the natural process of fermentation chemistry.

It took us almost a generation of work, but it was done and done well. Today, Pfizer produces more Citric Acid than anyone in the world. Far more. And we have been working on Citric Acid longer than anyone else. With the sole exception of our teacher, Mother Nature herself. Pfizer commissioned this exquisite crystal piece in appreciation of the models she gave us.

Pfizer
CHEMICAL DIVISION

slowdown in increases in sales in 1979, resulting from a combination of consumer economic problems and price inflation due to an unfavorable exchange rate between the American dollar and the Dutch guilder. But despite the decline in increases, increases they were; while sales went up only 4% in 1980, they were back up by another 10% in 1981. Reflecting that slowdown, imports went from 4.4% of the total market in '79 to only 4.6% in 1980.

Both Heineken and Van Munching estimate that sales will continue to increase by 10% for the next three years and McAna is extremely optimistic about the product's future beyond that time, "Over the next 5 to 10 years, you're going to see steady growth, and I would project in 10 years the share of markets for imports will probably be double its current level."

Although Alfred Heineken returned to Holland after his studies, the Heineken and the Van Munching families have maintained a very close relationship. Both Alfred Heineken and Leo Van Munching Jr., president, keep alert to joint operations as well as staying very active within their own companies. In Holland, Heineken acts as direct supervisor to his R&D, public relations, and finance departments; in the United States, according to McAna, "Leo, Jr. has worked in more parts of the country than any other company executive. He is very active in all marketing activity and is on a first name bais with all our wholesalers."

But a visit **BI** made to the Heineken plant in Amsterdam reveals Alfred Heineken to be something of a legend to his employees, a personality continually making its presence known and a constantly watchful eye. He has developed a reputation for his marketing strategies and has been involved in everything from the lettering on the Heineken logo to plans for a brick container for beer, a design which would make the container useful once the beer had been consumed (this innovation never hit the market). When **BI** was interviewing, the firm was introducing new labeling machines in the Amsterdam plant to print machine readable codes on its packages. Heineken prides himself on keeping abreast of such innovations and considers the move a form of insurance in maintaining its extensive distribution and product freshness.

The familiar Heineken logo appears on delivery trucks across the nation.

Amstel Light

Heineken's efforts to stride ahead in the U.S. import market is not limited to one product. In addition to Heineken beer, Van Munching and Heineken have been successfully marketing Amstel Light in the U.S. since 1968. According to McAna, during the calendar year of 1982, the firm sold approximately 500,000 cases of Amstel Light, respectable for a new import, and a figure that places the product as the leader of the low-cal import market.

Amstel was originally brewed by a Dutch competitor of Heineken and had been imported to the United States as a regular beer until the 1960s. In 1968, Alfred Heineken purchased the company and decided to withdraw it from the American market and concentrate on the development of Heineken beer instead. When the decision was made in 1980 to reintroduce the product as a light beer, the firm had the advantages of a product with a well-known name and reputation. The use of a name such as Heineken Light was specifically avoided according to McAna, "Since Heineken does brew a light and a dark colored beer, we didn't want to confuse a color difference with a caloric one. We wanted Amstel Light to stand on its own and it does."

While Heineken does market a number of other beverages in their outlets worldwide, so far U.S. distribution has been limited to Heineken and Amstel Light. Will they introduce any new products to the U.S. import market?

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A panel at Heineken headquarters in Amsterdam taste test every batch of Heineken.

Heineken

(Continued from page 10)

Neither Tjaarda nor McAna will reveal, but it's one idea being considered by Heineken and Van Munching.

If Heineken or Van Munching harbor any anxiety over their competitors, it is well concealed. Both Tjaarda and McAna seem confident that the quality of the product they sell in conjunction with advertising and distribution will keep them number one. With reference to the future of other imports, McAna cites the tremendous proliferation of brands over the past years and their limited success. "A lot of time and money is required to establish a new product, and too many of these companies are looking for a shortcut as far as the product, marketing, or distribution are concerned. It's taken us 50 years to get where we are now ... we're not worried."

Packages

(Continued from page 1)

function of marketing research, something that has only just started.

According to one supplier, the success of beer in 12 packs is a result of aggressive marketing on the part of the beer industry "as far as package design and innovation." The billboard effect achieved on a paperboard 12 pack translates the product image at the point of purchase."

Research conducted by his company indicates that as many as 40% of paperboard multipacks picked up by the consumer are bought because of the package's appearance. And that appearance affects specific groups of people: young adults in the 18-39 age bracket strongly feel appearance is important. Older adults, 55 and over, are more likely to buy what they've bought for years. "They tend to be less educated and have lower incomes and are conditioned to buying one brand or one package."

The problem with the soft drink industry as this supplier sees it, is that "they [the parent companies] spend an awful lot of money on their advertising yet they are unwilling to convey what they're trying to say in their ads to the point of purchase [in packaging]. Maybe they feel they don't have to. Personally, I'm not sure if advertising alone can carry an entire merchandising program."

parent support lacking

Regardless of the specific reason, all suppliers contacted agree on one thing: parent companies are not giving their bottlers the support needed to make 12 packs a success, or even a viable packaging option.

Why? Well, some suppliers think soft drink 12 packs may never work as anything but a promotional package. It has been suggested that, unlike beer, soft drinks are just not something one sits down and drinks a lot of.

Les Behrend, president of the consulting firm Profit Management Development, agrees with that but also sees a way around it: "A cola would go in 12 packs; that's the largest selling flavor on the market. But other flavors alone wouldn't. Maybe if the flavors in a 12 pack were mixed and matched—half diet and half regular, for example—then it would work."

Others cited bottler reluctance as a main obstacle to 12 pack success. "Bottlers fight for a limited amount of shelf space and this package would be a gamble," said Bill Wright, general manager-beverage division of Zumbiel. "There's also the cost involved; at this point bottlers are not willng to make the capital investment." Another important point Wright noted is the price of package: "It would be okay if you could keep it under $5. But once it goes over that I can't see the consumer spending more than $5 for pop."

12 pack glass

Twelve pack bottles are just now beginning to make inroads in the beer industry. Anheuser-Busch has begun packaging Bud and Michelob in glass 12 packs; Miller and Heileman are getting into it in a much smaller way. Sources agree this package

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